

RESOLUTION NO: 75363

A RESOLUTION OF THE COUNCIL OF THE CITY OF SAN JOSE APPROVING CHANGES TO COMPENSATION AND BENEFITS FOR EXECUTIVE MANAGEMENT AND PROFESSIONAL EMPLOYEES IN UNIT 99 AND OTHER UNREPRESENTED EMPLOYEES IN UNITS 81 AND 82, EFFECTIVE JUNE 27, 2010, AND DEFERRING CHANGES TO SICK LEAVE PAYOUT FOR FORMER EMPLOYEES THAT HAVE AT LEAST FIFTEEN YEARS OF SERVICE IN THE FEDERATED CITY EMPLOYEES' RETIREMENT SYSTEM, BUT HAVE NOT YET RETIRED, UNTIL JUNE 3, 2010

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SAN JOSE THAT:

1. Except as set forth in paragraph 2 below, the terms of the changes to the compensation and benefits for Executive Management and Professional Employees in Unit 99 and other Unrepresented Employees in Units 81 and 82 are set out and described in the Memorandum to the Mayor and City Council dated April 13, 2010, from the City Manager, attached hereto as Attachment A and, effective June 27, 2010, are hereby approved.
2. That the changes to Sick Leave Payout for former employees that have at least fifteen years of service in the Federated City Employees' Retirement System at the time the employees left City employment, but have not yet retired, will be deferred until June 3, 2010 in order to allow staff to provide additional information.

ADOPTED this 27th day of April, 2010, by the following vote:

AYES: CHIRCO, CHU, HERRERA, LICCARDO, PYLE; REED.

NOES: CAMPOS, CONSTANT, KALRA, NGUYEN, OLIVERIO.

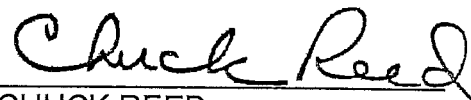
ABSENT: NONE.

DISQUALIFIED: NONE.

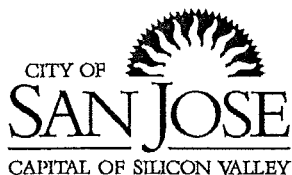
ATTEST:



LEE PRICE, MMC
City Clerk



CHUCK REED
Mayor



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Debra Figone

75363

SUBJECT: SEE BELOW

DATE: April 13, 2010

**SUBJECT: COMPENSATION AND BENEFIT CHANGES FOR EXECUTIVE
MANAGEMENT AND PROFESSIONAL EMPLOYEES IN UNIT 99,
OTHER UNREPRESENTED EMPLOYEES, AND THE CITY MANAGER**

COUNCIL DISTRICT: N/A

SNI AREA: N/A

RECOMMENDATION

Adoption of a resolution approving compensation and benefit changes for executive management and professional employees in Unit 99, including the City Manager, and other unrepresented employees, effective June 27, 2010.

OUTCOME

Adoption of the resolution and authorization to approve compensation and benefit changes for executive management and professional employees in Unit 99, including the City Manager, and other unrepresented employees, effective June 27, 2010.

BACKGROUND

Executive Management and Professional Employees (Unit 99) consists of approximately 240 FTEs, including Senior Staff, Executive Staff, senior managers under the City Manager's Appointing Authority, Council Office staff, and professional or management employees under the appointing authority of the City Attorney, City Auditor, and Independent Police Auditor. In addition, there are employees in Unit 99 who work in the City Clerk's Office and the Redevelopment Agency. The annual base pay of employees in Unit 99 ranges from approximately \$32,000 to \$227,000. Employees in Unit 99 are exempt employees and therefore do not receive overtime.

The category of Other Unclassified Non-Management employees (Units 81 and 82) includes the Analyst- Independent Police Auditor classification under the appointing authority of the Independent Police Auditor and part-time unbenefitted employees, such as Lifeguards and Student Interns. Employees in this group progress through steps in the salary ranges to the top step, automatically, after working a designated amount of time (six months or one year) at a particular salary step.

HONORABLE MAYOR AND CITY COUNCIL

April 13, 2010

Subject: Approval of Changes to Compensation and Benefits for Unit 99 and Unrepresented Employees

Page 2 of 5

The recommended compensation changes for Executive Management (Unit 99) and unrepresented employees are consistent with changes recommended in the Association of Building, Mechanical and Electrical Inspectors' (ABMEI) Last, Best and Final Offer. Please note that there are differences in the base pay reduction for ABMEI employees and Unit 99 employees because of the differences in the percentages of pay versus benefits for total compensation. Each package for these two groups, however, equals a 5% total compensation reduction. Further, the changes meet the goal that the City Council set in November 2009 for a 5% ongoing total compensation reduction. Discussions are still occurring about the additional 5% reduction goal set in March 2010, and the results of these discussions to meet this goal will be brought forward by June 3, 2010. Options under discussion include furloughs and additional retirement contributions towards the unfunded pension liability.

Changes in compensation for the six Council Appointees (City Manager, City Attorney, City Clerk, City Auditor, Independent Police Auditor, and the Redevelopment Agency Executive Director) are determined by separate Council action. For example, last year the City Manager, the City Attorney, the City Clerk and the City Auditor received a 3.75% reduction in pay.

As City Manager, I recommend to the Mayor and Council that I be included in the compensation and benefit changes for Unit 99, as well as any other changes that the Mayor and Council decide will be applicable to the Council Appointees. It should be noted that other Appointees have expressed interest in being included in the same compensation and benefit changes recommended in this memo. However, this is a decision for the Mayor and Council and for that reason, they have not been included in this memorandum.

ANALYSIS

The following is a summary of the compensation and benefit changes for executive management and professional employees in Unit 99, including the City Manager, and other unrepresented employees that are recommended to be implemented upon approval by the City Council:

Wage Reduction Reduce current base pay by approximately 4.75% effective June 27, 2010 for all Unit 99, 81, & 82 employees.

**Freezing of Step/
Merit Increases** Employees in Unit 99 are not eligible for automatic step increases. They can receive performance-based increases, however, as part of the approved 2009-2010 budget balancing strategy, employees in Unit 99 will not be receiving any performance-based increases in 2010-2011. (Performance-based increases were also not awarded in 2009-2010 as part of the aforementioned budget balancing strategy.)

Employees in Unit 81 and Unit 82, who are not already at top step are eligible to receive a 5.00% step increase during each fiscal year until the employee reaches top step. Effective June 27, 2010, all Unit 81 and 82 employees will have step and merit increases frozen for 26 pay periods. After 26 pay periods, employees in Unit 81 and 82 will become eligible for step increases upon completion of an additional 2080 seniority hours after the date they did not receive a step increase for which they were previously eligible.

HONORABLE MAYOR AND CITY COUNCIL

April 13, 2010

Subject: Approval of Changes to Compensation and Benefits for Unit 99 and Unrepresented Employees

Page 3 of 5

**Healthcare
Cost Sharing**

Currently, the City pays ninety (90%) of the full premium cost of the lowest cost plan for employee or for employee and dependent coverage, and the employee pays ten (10%).

Effective June 27, 2010, the City will pay eighty five percent (85%) of the full premium cost of the lowest cost plan for employee or for employee and dependent coverage, and the employee will pay fifteen (15%) of the premium for the lowest priced plan for employee or employee and dependent coverage.

**Healthcare
HMO Plan Design**

The current HMO Plan Design provides for \$10 office visit co-pay, \$5 generic and \$10 brand name prescription co-pays, and a \$50 emergency room co-pay.

Effective July 1, 2010, co-pays for all available HMO plans shall be as follows:

- a. \$25 office visit co-pay
- b. \$10 generic/\$25 brand name prescription co-pay
- c. \$100 emergency room co-pay
- d. \$100 inpatient/outpatient procedure co-pay

**Healthcare
Dual Coverage**

Effective July 1, 2010, employees may no longer be simultaneously covered by City-provided medical and/or dental benefits as a City employee and as a dependent of another City employee.

**Healthcare
Payment-In-Lieu**

Currently, employees who have other health and/or dental coverage are eligible for a health-in-lieu and/or dental-in-lieu amount of 50% of the City's premium. This results in a formula that increases as the City's costs of healthcare increases. The current in-lieu amounts per pay period are as follows:

	<u>Health In- Lieu</u>	<u>Dental In- Lieu</u>
If eligible for family coverage:	250.31	24.44
If NOT eligible for family coverage:	100.54	24.44

Effective June 27, 2010, employees who qualify for and participate in payment-in-lieu of health and/or dental insurance program will receive the following per pay period:

HONORABLE MAYOR AND CITY COUNCIL

April 13, 2010

Subject: Approval of Changes to Compensation and Benefits for Unit 99 and Unrepresented Employees

Page 4 of 5

	<u>Health In-</u> <u>Lieu</u>	<u>Dental In-</u> <u>Lieu</u>
If eligible for family coverage:	221.84	19.95
If NOT eligible for family coverage:	89.09	19.95

A City employee who receives healthcare coverage as a dependent of another City employee shall be deemed NOT eligible for family coverage.

This changes the current formula from a percentage to a fixed dollar amount and will reduce the increases in the health in-lieu program in the future.

Disability Leave Supplement	Reduce maximum disability supplemental pay benefit from nine (9) calendar months (1560 hours) to six (6) calendar months (1040 hours).
Sick Leave Payout	Effective June 27, 2010, modify calculation of payout from a maximum of 75% of final hourly rate for accruals between 800 and 1200 hours, to a maximum of 60% of final hourly rate for accruals between 400 and 1200 hours for current employees. Distribution of payouts for employees who retire before June 27, 2010, shall be made no later than February 1, 2011. For employees hired on or after June 27, 2010, modify calculation of payout to a maximum of 750 hours at 25% of final hourly rate. Currently for Unit 99, if an employee's balance is greater than 1,200 hours, employee is also eligible for a payout of 75% of the value of sick leave in excess of 1,200 hours that is earned but unused during the two (2) years prior to retirement. Effective June 27, 2010, the payout for this provision will be 60%. This provision shall not be applicable to employees hired on or after June 27, 2010. Employees who do not retire directly from active City service will no longer be eligible for this benefit. Employees who separate from City service on or before June 26, 2010, and who have 15 years of service shall be eligible for a sick leave payout at the rate that is available upon retirement.
Retirement Cost Mitigation	The Administration will continue to review retirement cost mitigation options, during Fiscal Year 2010-2011 and will come forward to the City Council during the next fiscal year with recommendations.

EVALUATION AND FOLLOW-UP

Staff does not anticipate any follow-up actions necessary at this time.

HONORABLE MAYOR AND CITY COUNCIL

April 13, 2010

Subject: Approval of Changes to Compensation and Benefits for Unit 99 and Unrepresented Employees

Page 5 of 5

PUBLIC OUTREACH/INTEREST

- ☐ **Criteria 1:** Requires Council action on the use of public funds equal to \$1 million or greater.
(Required: Website Posting)
- ☒ **Criteria 2:** Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City. (Required: E-mail and Website Posting)
- ☐ **Criteria 3:** Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or a Community group that requires special outreach. (Required: E-mail, Website Posting, Community Meetings, Notice in appropriate newspapers)

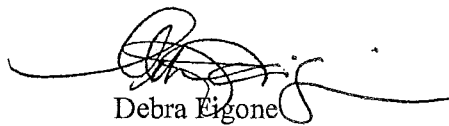
This item meets Criterion 2. This memorandum will be posted on the City's website for the April 27, 2010, Council Agenda.

COORDINATION

This memorandum was coordinated with the City Attorney's Office, the Office of Employee Relations, the Human Resources Department and the City Manager's Budget Office. In addition, the recommendations have been coordinated with the Council Appointees and discussed with the members of the Unit 99 Forum.

COST IMPLICATIONS

These terms meet the goal of a 5% ongoing total compensation reduction. The approval of these terms will reduce the total compensation for executive management and professional employees in Unit 99, including the City Manager, and other unrepresented employees. The calculated savings to the City of approximately \$2.35 million in all funds and approximately \$1.5 million in the General Fund are based on the 2010-2011 Base Budget. These savings do not assume reductions in Unit 99, 81, or 82 positions and the associated loss of overhead from other funds that will likely be included as part of the proposed budget process or potential compensation reductions from Council Appointees except the City Manager, which is recommended as part of this memorandum. The budgetary savings will be assumed in the 2010-2011 Proposed Operating Budget scheduled for release on May 3, 2010. Any savings of the freezing of step increases for Units 81 and Unit 82 will be considered in the discussions on the additional 5% reduction. These savings do not include the currently unknown cost increases for healthcare or the increased retirement contributions for active employees in Fiscal Year 2010-2011.


Debra Figone
City Manager

For questions please contact Alex Gurza, Director of Employee Relations, at (408) 535-8150.